

Message Text

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41

ACTION XMB-07

INFO OCT-01 AF-10 ADP-00 EB-11 CIAE-00 INR-09 NSAE-00

RSC-01 COME-00 TRSE-00 L-03 RSR-01 /043 W

----- 003407

R 231456 Z MAR 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 7826

INFO AMCONSUL CAPE TOWN

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E. O. 11652: N/ A

TAGS: ETRD, SF

SUBJUR PROPOSED EXIM BANK FINANCING FOR ISCOR

REF: STATE 051543

CAPE TOWN FOR EMBASSY

1. QUESTION REFTEL DISCUSSED WITH DEPUTY EXCHANGE CONTROLLER (THERON), RESERVE BANK.
 2. THERON CONFIRMED THAT IMPORT PERMIT DOES AUTOMATICALLY AUTHORIZE SOUTH AFRICAN BANK TO TRANSFER FOREIGN EXCHANGE ON REQUEST AND THAT TRANSFERS MAY BE MADE IN INSTALLMENTS UNDER EXTENDED PAYMENT TERMS. COMMERCIAL BANKS OPERATE UNDER GENERAL POLICY GUIDELINES AND NEED NOT REFER TRANSACTIONS INVOLVING IMPORTS OF GOODS AGAINST LICENSES UNLESS THERE IS SOMETHING OUT OF THE ORDINARY.
 3. THERON NOTED, HOWEVER, THAT NOT (RPT NOT) ALL FINANCING ARRANGEMENTS FELL INTO NORMAL SUPPLIER CREDIT PATTERN, CITING VARIETY EXAMPLES USING ISCOR AS OBLIGOR. IF BANK OR OTHER THIRD SOURCE EXTENDED CREDIT LINE (OR CASH) DIRECTLY TO ISCOR WHICH IN TURN IMPORTED FROM FOREIGN SUPPLIER, TRANSACTION CONSIDERED A LOAN AND REQUIRED PRIOR RESERVE BANK APPROVAL. IMPORT LICENSE (ISSUED BY DEPT COMMERCE) NOT THEN CONTROLLING FACTOR. DISCOUNT BY EXPORTER OF ISCOR NOTES OR ACCEPTED
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BILLS WITH BANK ABROAD WOULD NOT RPT NOT BE REGARDED AS LOAN AND TRANSFERS BASIS IMPORT LICENSE WOULD BE AUTOMATIC. ANOTHER EXAMPLE WAS PRACTICE OF LOCAL SUBSIDIARIES TO IMPORT AGAINST OWN LICENSE FROM FOREIGN PARENT WITH ISCOR HAVING EXTENDED PAYMENT OBLIGATIONS TO LOCAL SUBSIDIARY AND SUBSIDIARY IN TURN HAVING INCREASED DEBT TO PARENT. SUBSIDIARY CAN REDUCE DEBT TO PARENT IN DUE COURSE ON BASIS RELATED IMPORT LICENSE. (SUCH INCREASED DEBT TO PARENT IS TREATED BY RESERVE BANK AS INVESTMENT FOR PURPOSES CALCULATING BASE FOR DETERMINATION SUBSIDIARIES LOCAL BORROWING LIMIT.) WHERE SUBSIDIARY HOWEVER IMPORTED AGAINST ISCOR LICENSE AND EXTENDED PAYMENT OBLIGATION DIRECTLY TO PARENT, SUBSIDIARY WAS MERELY AGENT AND ISCOR WOULD PAY ON BASIS ITS LICENSE.

4. IN GENERAL, THERON SAID, THERE NO RPT NO PROBLEM OF EXCHANGE BEING MADE AVAILABLE FOR TRANSACTIONS COVERED BY IMPORT LICENSE OR GIVEN PRIOR APPROVAL BY RB IN CASE OF "LOANS". NEVERTHELESS, FOR COMPLEX ARRANGEMENTS OR LONGER TERM CREDIT, RESERVE BANK WOULD HAVE NO OBJECTION PROVIDE ADDITIONAL ASSURANCE OF EXCHANGE AVAILABILITY IF REQUESTED BY ISCOR IN CONNECTION ITS PROJECTS.
HURD

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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